

Press Release

PMI indices display resilience at high levels Economic environment conducive for fresh private sector investments

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The twin PMI data for July-23 remained robust and continues to reflect a healthy momentum in the Indian economy as it enters the second quarter of the fiscal year. The buoyancy in both services and manufacturing have led the Composite PMI to hit an all-time high of 61.9 in the previous month. PMI Manufacturing declined sequentially albeit very marginally to 57.7 from 57.8 in Jun-23 but still continues to be display strength. On the other hand, PMI Services Index saw an unexpected and a fairly sharp uptick to 62.3 in July-23 from 58.5 in Jun-23, reportedly driven by new orders from overseas clients.

While S&P Global India Manufacturing PMI witnessed a slight softness, the index saw an annualised growth of 2.3%. This was the 25 th consecutive month of expansion in manufacturing activity. New order growth remains elevated in July, as per the survey and output also reported a healthy growth. Export orders, particularly from the US and some neighbouring countries increased. Manufacturers also increased hiring to align with the rise in sales. Purchasing activity remained vibrant at the start of the second fiscal quarter and raw material stocks also rose rapidly as companies sought to build inventories given the buoyant demand environment. The rate of input cost inflation accelerated to a nine-month high in July; input prices increased due to higher costs for raw materials, in particular cotton and rising labour costs. The business optimism was slightly lower than that seen in June but remained above the series average.

The services sector started to sprint again with PMI Services notching up a figure of 62.3, demonstrating robust expansion which has sustained for the last 24 months. This translates to a rise of 12.3% YoY and 6.5% MoM in the index. A buoyant services sector will lead to more job opportunities, enhanced productivity, and improved consumer sentiment.

Composite PMI at an all-time high signifies not just the resilience in the domestic economy but also the continuing growth momentum. On a YoY and MoM basis, the index has grown by 9.4% and 4.2% respectively. Since Dec-22, it has been above the level of 58 that reflect a conducive economic environment for business expansion and fresh investments, potentially leading to increased GDP growth.

Chart: Buoyancy and resilience visible in India's PMI indices

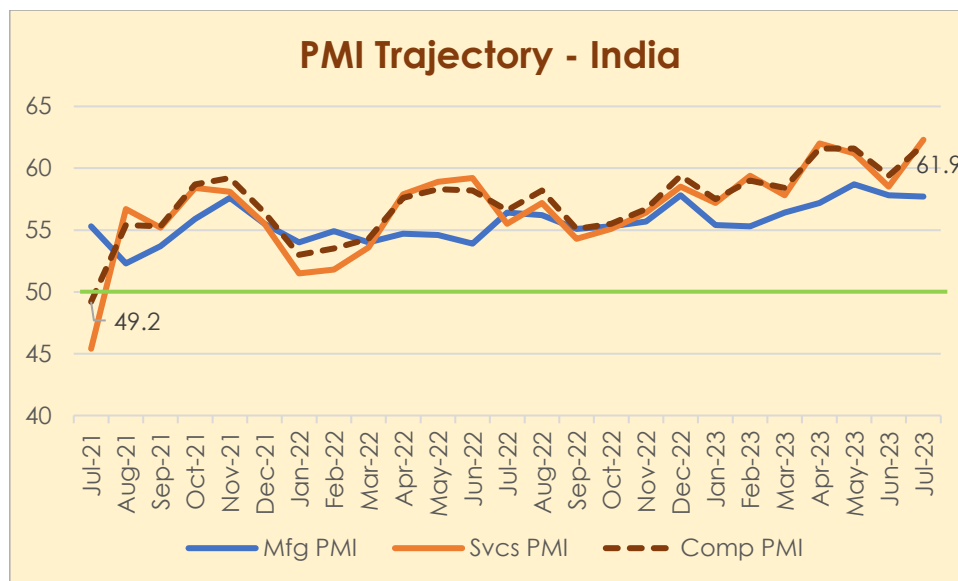


Table: India PMI indices – One Yr Heat Map

Month	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23
PMI Mfg	56.4	56.2	55.1	55.3	55.7	57.8	55.4	55.3	56.4	57.2	58.7	57.8	57.7
PMI Svcs	55.5	57.2	54.3	55.1	56.4	58.5	57.2	59.4	57.8	62.0	61.2	58.5	62.3
PMI Comp	56.6	58.2	55.1	55.5	56.7	59.4	57.5	59.0	58.4	61.6	61.6	59.4	61.9

Says Suman Chowdhury, Chief Economist and Head-Research, Acuite Ratings & Research "After an encouraging Q1, Q2FY24 has begun on a positive note for the domestic economy with a visible resilience in the PMI indices at higher levels. PMI Services has hit a high after a brief lull in Jun-23, reflecting the buoyancy in the services sector, particularly in financial services. The manufacturing sector continues to perform better than expectations with a reduction in the intensity of the global slowdown and a recovery in the supply chain. Inflation, however, will be a point of concern despite the benign headline print at this point, given the respondents' feedback about a resumption in rise of input prices; this can gain further strength if food and oil prices are to rise further in the next few months. Nevertheless, the signs of higher capacity utilization augur well for the much awaited pickup in private sector capital expenditure. The latter along with the strong momentum in public infrastructure investments can support a GDP growth of over 6.0% in the current year."

About Acuité Ratings & Research Limited:

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